

Section-C

Public Sector Undertakings

Chapter I

Functioning of State Public Sector Undertakings

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Introduction

1.1 State Public Sector Undertakings (PSUs) consist of State Government Companies, Government-controlled other Companies, subsidiary Companies and Statutory Corporations. State PSUs are established to execute the activities of commercial nature and to contribute in economic development of the State. In West Bengal, there were 84 PSUs as on 31 March 2019 against 94 PSUs in the preceding year. During the year 2018-19, no PSUs were added to the audit jurisdiction. The reduction in numbers was due to restructuring of PSUs as discussed subsequently. The financial performance of the PSUs on the basis of latest finalised accounts as on 30 September 2019 is covered in this section. The working PSUs registered an annual turnover of ₹ 52,953.14 crore as per their latest finalised accounts as on 30 September 2019. This turnover was equal to 4.50 *per cent* of State Gross Domestic Product (GSDP) for the year 2018-19 (₹ 11,77,586 crore). The PSUs earned overall profits of ₹ 356.42 crore as per their latest finalised accounts. As on 31 March 2019, the State PSUs had employed around 45,922 employees. There were 19 PSUs having an investment of ₹ 1,430.61 crore towards capital (₹ 172.14 crore) and long-term loans (₹ 1,258.47 crore), which were inactive for one to 17 years. This is a critical area as the investments in inactive PSUs do not contribute to the economic growth of the State. The State Government may consider winding up them.

Accountability framework

1.2 A Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG. The process of audit of Government Companies is governed by relevant provisions of Sections 139 and 143 of the Companies Act, 2013 (the Act). According to Section 2 (45) of the Act, a Government Company is any company in which not less than 51 *per cent* of the paid-up share capital is held by the Central Government, or by any State Government/ Governments, or partly by the Central Government and partly by one or more State Governments. This includes a company which is a subsidiary company of such a Government Company.

Further, as per sub-Section 7 of Section 143 of the Act, the CAG may, in case of any company covered under sub-section 5 or sub-section 7 of Section 139, by an order, conduct test audit on the accounts of such company, if considered necessary. The provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such Audit. An audit of the financial statements of a company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

The financial statements of the Government Companies are audited by Statutory Auditors, appointed by CAG as per the provisions of Sections 139 (5) or 139 (7)

of the Act, as applicable, who shall submit a copy of their audit report, including the financial statements of the Company, to the CAG, under Section 143(5) of the Act. These financial statements are subject to supplementary audit to be conducted by CAG within 60 days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act.

Need for timely finalisation and submission of accounts by PSUs

1.3 According to Sections 394 and 395 of the Companies Act 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before the Houses or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Similar provisions exist in the respective Acts regulating statutory corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of the State.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statements for the financial year have to be placed in the said AGM for their consideration; contraventions of such provisions are liable for punishment/ penalty.

Investment by the Government of West Bengal

1.4 The Government of West Bengal has financial stakes in the PSUs, which is mainly of three types:

- **Share capital and loans**– In addition to the share capital contribution, GoWB also provides financial assistance by way of loans to the PSUs from time to time.
- **Special financial support**– GoWB provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees**– GoWB also guarantees the repayment of loans, with interest, availed by the PSUs from Financial Institutions.

Aggregate investment in State PSUs with sector-wise summary

1.5 As on 31 March 2019, the investment (capital and long-term loans) in 84 PSUs¹⁵⁶ was ₹ 40,009.68 crore as per accounts of 2018-19 or information from PSUs (*Appendix-8*). This total investment consisted of 41.02 *per cent* towards paid-up capital and 58.98 *per cent* in long-term loans. The sector-wise summary of investment in the PSUs as on 31 March 2019 is given at **Table 1.1** below:

¹⁵⁶ One PSU viz. WBSCST&OBCD&FC has not submitted either accounts for its first year (2017-18) or information on investment etc. as of 31 March 2019. Hence, investment figures have been taken from the Audit Report (PSUs) 2017-18.

Table 1.1: Sector-wise summary of investment in PSUs

Name of sector	Government Companies		Statutory Corporations		Total	Investment (₹ in crore)		
	Working	Inactive	Working	Inactive		Equity	Long-term Loans	Total
Power	06	-	-	-	06	12,272.74	17,390.89	29,663.63
Finance	06	01	03	-	10	1,497.45	1,840.18	3,337.63
Service	11	-	03	01	15	233.48	2,291.68	2,525.16
Manufacturing	11	16	-	-	27	494.48	1,671.04	2,165.52
Infrastructure	10	-	01	-	11	1,798.78	186.23	1,985.01
Agriculture & Allied	09	01	01	-	11	106.89	143.81	250.70
Others	04	-	-	-	04	6.59	75.44	82.03
Total	57	18	08	01	84	16,410.41	23,599.27	40,009.68

(Source: Compiled from information provided by PSUs and accounts for 2018-19 received)

In the past five years from 2014-15 to 2018-19, the Power Sector had received the largest share of equity (₹ 2,588.06 crore) and loans (₹ 2,603.55 crore) from the Government of West Bengal.

Disinvestment and Restructuring of State PSUs

1.6 The Government of West Bengal decided (February 2017) to restructure State PSUs for improving operational efficiency and optimally utilising their manpower/ assets. Accordingly, six working PSUs (including three subsidiary companies) and two inactive subsidiary companies were amalgamated with four existing PSUs with effect from 01 April 2018, and one inactive PSU i.e., DPL Coke Oven was struck off from the Register of Companies on 21 January 2019. The restructuring is shown in **Table 1.2** below:

Table 1.2: Names of PSUs amalgamated with other PSUs or struck off

Sl No.	Names of Administrative Departments	Names of PSUs amalgamated	Particulars of amalgamation or strike off
1	Animal Resources Development	West Bengal Dairy & Poultry Development Corporation Limited	Amalgamated with West Bengal Livestock Development Corporation Limited from 01.04.2018.
2	Fisheries	West Bengal State Fisheries Corporation Limited	Amalgamated with The State Fisheries Development Corporation Limited from 01.04.2018.
3	Forest	West Bengal Wasteland Development Corporation Limited	Amalgamated with West Bengal Forest Development Corporation Limited from 01.04.2018.
4	Information Technology & Electronics and e-Governance	Webel Mediatronics Limited (Subsidiary of WBEIDC Limited)	Amalgamated with West Bengal Electronics Industry Development Corporation Limited from 01.04.2018.
5		Webel Electronic Communication Systems Limited (Subsidiary of WBEIDC Limited)	
6		Webel Informatics Limited (Subsidiary of WBEIDC Limited)	
7		Webel Electro-Optics Limited (subsidiary of WBEIDC Limited) – Inactive company	
8		Webel Consumer Electronics Limited (subsidiary of WBEIDC Limited) – Inactive company	

Sl No.	Names of Administrative Departments	Names of PSUs amalgamated	Particulars of amalgamation or strike off
9	Power & Non-Conventional Energy Sources	New Town Electric Supply Company Limited ¹⁵⁷	Amalgamated with West Bengal State Electricity Distribution Company Limited from 27 December 2018.
10		DPL Coke Oven Limited (subsidiary of The Durgapur Projects Limited) – Inactive company	Name struck off on 21 January 2019.

Note: The companies at serial Nos. 7, 8 and 10 were inactive PSUs.

Further, under a composite Scheme of Arrangement, the “e-Governance Undertakings” of Webel Mediatronics Limited and West Bengal Electronics Industry Development Corporation Limited (WBEIDCL) were de-merged to Webel Technology Limited (WTL). The Department of Power & Non-conventional Energy Sources, GoWB restructured (December 2018) the Durgapur Projects Limited (DPL) through transfer of its activities relating to transmission and distribution to West Bengal State Electricity Transmission Company Limited (WBSETCL) and West Bengal State Electricity Distribution Company Limited (WBSEDCL), respectively from 01 January 2019. Moreover, New Town Electric Supply Company Limited was merged with WBSEDCL from 27 December 2018.

In addition, a Committee of Secretaries under chairmanship of the Chief Secretary was constituted to ensure proper and optimum utilisation of land, infrastructure and assets of the restructured PSUs. A legal firm¹⁵⁸ was engaged (April 2017) to assist in the restructuring work. The administrative departments were required to complete the legal formalities to restructure these PSUs, redeploy their employees and dispose the immovable/ movable assets, latest by March 2018, as subsequently discussed at **Paragraphs 3.8.1 and 3.8.2.**

¹⁵⁷ Accounts for part of the year from 01 April to 26 December 2018 were not submitted.

¹⁵⁸ M/s Fox & Mandal